

In [Post #6](#), I introduced the idea of a life-long process of transferring family values, wealth and control, while simultaneously educating future generations and supporting their growth. [Post #7](#) outlined one benefit of this approach in relation to the “Prince Charles Effect.” This Post explores the need to address transfer of control.

Continuously Concerned with Control

Keep in mind our critical focus: To build a foundation that is enduring, and that ensures accumulated family capital is maintained within the family long-term as a tool to help family members reach their full potential. You’ll recall my analogy to Florence’s Duomo ([Post #5](#)) in which I suggested that families endeavor to build a foundation that will last for centuries to come, much like the accomplishment of the builders of the cathedral’s foundation. But a core stumbling block for many families is their reluctance to address the multi-dimensional impacts of “control.”

One dimension of control is at the wealth holder level, which is thought to be the most critical one and therefore tends to receive the most attention. For example, it’s common to encounter the patriarch or matriarch who refuses to focus at all on transiting control – not even developing a plan by which it will be done in the future. In part, this is understandable. Often the wealth holder has built the business, fortune or estate. It represents a large part of their life’s effort. Entrusting even a portion of it to someone else, even family, is fraught with anxiety. There is also concern about what the patriarch or matriarch will do with the rest of their life if they walk away.

Whether addressing a family business or a portfolio of passive investments, the ancestor with control must teach the subsequent generations how to give up control. There may be no better model for doing this than George Washington. In 1783, following the Treaty of Paris that ended the Revolutionary War, Washington resigned his commission and returned to his home at Mount Vernon. Under the new Constitution ratified in 1788, Washington was unanimously elected as the first President. In 1797, after serving two terms as President, Washington again returned to private life at Mount Vernon. His main motivation gets a modern but accurate portrayal in the Broadway musical *Hamilton*, when Washington explains (or rather raps) to Hamilton that the country will

learn to move along if he does not seek reelection.”¹ With this selfless act, Washington taught the young Republic about the peaceful transition of power or control. The family patriarch or matriarch must be focused on teaching the same lesson to future generations.

If you ask the patriarch or matriarch if they are the leader of the family or business, most likely they will answer “yes” without hesitation. That being the case, whose job is it to develop a plan for transitioning control if not the current leader? And that leader has the responsibility to avoid making control a cliff event, as discussed in [Post #6](#).

Of course, before being taught the lesson of giving up control, the succeeding generation must be trained adequately and have the technical skills to actually do the job of maintaining the inheritance. This process may take many years, which is all the more reason this should be permanently on the agenda.² There is elasticity in designing the transition of control: it can be gradual or partial and complementary to the family’s unique circumstance. However designed, the ultimate goal of this planning will be to move beyond the transition to teaching the final lesson – how to move on. This completes the circle and provides an example for future generations to follow.

My advice is to consider separating the role of patriarch or matriarch from financial control. Will the wealth holder still be the patriarch or matriarch if he or she doesn’t control all financial decisions?

There is also the dimension of control at the inheritor’s level. Post #3 touched on the point that it is counterproductive for parents to attempt to control a child’s pursuits towards achieving his or her highest potential. But there is another element of control to consider from the inheritor’s side and that is what control should the inheritor have over his or her inheritance, and when?

My suggestion is to consider the merits of an approach whereby each inheritor is vested with control over his or her inheritance, or at least a portion of it. If assets are slowly transitioned during the wealth holder’s lifetime, the control of those assets by the inheritor could likewise be passed on incrementally during the wealth holder’s lifetime (i.e., as part of the overall program of educating on the financial, social and psychological implications of wealth). The inheritor’s

¹ Lin-Manuel Miranda, *One Last Time*, from HAMILTON, AN AMERICAN MUSICAL.

² This Post is addressing the broad conceptual idea. In actual practice, standards and other criteria may be established for each position of control – i.e., college degree, relevant graduate studies, and progressive experience in the particular area.

control might come from owning the transferred property outright or having control as trustee over a trust established for the inheritor's benefit.

This latter idea addresses the need of inheritors for some self-determination. Allowing for the inheritor to control his or her own investment direction is one way to help gratify this need. For example, the wealth holder and family could create opportunities for family members to invest together. From the pools of wealth that each family member separately controls, the individual family members could determine whether to join in the investment. If the family learns the value of pooling resources for co-investing, with each member at liberty to participate or not, then the family has created an approach that is likely to be enduring. Rather than force family members to join together, this approach promotes family investing as an idea that family members freely choose over other alternatives.

Post #9 will address ideas for integrating philanthropy and charitable planning into the approach of preserving the wealth in the family.

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